



Harvey L. Wagner  
Vice President, Controller  
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LETTER OF COMMENT NO.

325

April 1, 2009

Financial Accounting Standards Board  
Attn: Mr. Russell Golden, Technical Director  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

RE: File Reference - Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden:

FirstEnergy appreciates the opportunity to respond to the Proposed FASB Staff Position (FSP), "Recognition and Presentation of Other-Than-Temporary Impairments."

FirstEnergy is a diversified energy company with approximately \$34 billion of assets and \$14 billion in annual revenues. Our subsidiaries and affiliates are involved in the generation, transmission, and distribution of electricity, as well as energy management and other energy-related services. Our seven electric utility operating companies comprise the nation's fifth largest investor-owned electric system, serving 4.5 million customers within 36,100 square miles of Ohio, Pennsylvania, and New Jersey. Our generation subsidiaries control more than 14,000 megawatts of capacity.

We support the Financial Accounting Standards Board (FASB) in its objective to improve other-than-temporary impairment guidance, and agree that it is "more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery." There are a few recommendations for which we have concerns, however, and we offer the following comments for your consideration.

Question #1: This proposed FSP would require entities to separate an other-than-temporary impairment of a debt security into two components when there are credit losses associated with an impaired debt security for which management asserts that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. The two components would be (a) the credit component and (b) the noncredit component. Does this separate presentation provide decision-useful information?

We believe that the proposed separate presentation provides limited decision-useful information. However, as we discuss below, we believe that the cost to track and report the information far outweighs the benefits.

Question #2: This proposed FSP would require that the credit component of the other-than-temporary impairment of a debt security be determined by the reporting entity using its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with the specific instrument. Do you believe this guidance is clear and operational? Do you agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income? Under what circumstances should the remaining portion be recognized in earnings?

We disagree with this recommendation. The requirement to recognize impairment when management can assert that it is more likely than not that they will not have to sell the security before recovery of its cost basis is in conflict with FAS 115. If management can assert that it does not have the intent to sell and it is more likely than not that it will not have to sell the security before recovery of its cost basis, no impairment should be recognized for the credit component of an available for sale security in the statement of earnings. In addition, for a held-to-maturity security, no impairment should be recognized in the statement of earnings or other comprehensive income. In addition, we do not believe the benefits outweigh the costs and administrative burden to track and report this information.

Estimating the amount of impairment related to an increase in credit risk associated with a debt security would require significant judgment on behalf of management when computing the earnings impact of an other-than-temporary impaired debt security. While the FSP suggests FAS 114 as one possible way to determine the credit component, we request the FASB to provide additional guidance on acceptable methods to calculate credit losses in its final Staff Position.

Question #3: The Board believes that, compared to current requirements, it is more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. Does this modification make this aspect of the other-than-temporary impairment assessment more operational? Should this modification apply to both debt and equity securities? Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?

We agree the modification should be consistent for both debt and equity securities. Although the test for other-than-temporary-impairment would change, we believe the end result would not, particularly for equity securities. For example, taking into account the recent disruptions in the financial markets, we would expect that it would be difficult for most companies to assert they will not have to sell the security before recovery of its cost basis.

Question #4: This proposed FSP would require that a portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized (through other comprehensive income) over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows by offsetting the recorded value of the asset (that is, the entity would not be permitted to adjust the fair value of a held-to-maturity security for subsequent recoveries in the fair value of the security similar to the accounting for available-for-sale securities). Do you agree with this requirement?

We disagree with the proposed requirement to present the total impairment separately within the statement of earnings, with an offset for the amount recognized in other comprehensive income. As described in our response to Question #2 above, we disagree with the recommendation to record an impairment related to noncredit loss of a held to maturity security in other comprehensive income, as well as the credit loss in the statement of earnings, because it would most likely create a significant administrative burden without a related benefit. If the FASB were to include this requirement in its final Staff Position, we believe the proposed presentation would complicate the statement of earnings, conflict with the purpose of separating the two amounts, and be better addressed through disclosure.

Question #5: Is the proposed effective date of interim and annual periods after March 15, 2009 operational?

We request the FASB delay the effective date of the Staff Position to interim and annual periods ending after June 15, 2009. Significant systems reconfiguration will be required to implement and track the proposed changes, which can not be implemented after the end of the interim period. As a result, in order to report the proposed information as of March 31, 2009, alternative tracking methods will be required, creating the potential for heightened internal control issues. We believe that additional clarification from the FASB, coupled with increased time to evaluate the requirements and effects of this FSP, would help ease the administrative burden of applying these recommendations.

FirstEnergy sincerely appreciates the opportunity to comment on these proposed changes. We are very hopeful our concerns will be given serious consideration as the FASB continues its deliberations.

Sincerely,

